

VZCZCXRO4673

OO RUEHCHI RUEHFK RUEHHM RUEHKSO RUEHPB
DE RUEHKO #2059/01 1070732

ZNR UUUUU ZZH

O 170732Z APR 06

FM AMEMBASSY TOKYO

TO RUEHC/SECSTATE WASHDC IMMEDIATE 1029

INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION

RUEHAC/AMEMBASSY ASUNCION 0050

RUEHBJ/AMEMBASSY BEIJING 1781

RUEHBE/AMEMBASSY BELIZE 0042

RUEHBO/AMEMBASSY BOGOTA 0380

RUEHBR/AMEMBASSY BRASILIA 0350

RUEHWN/AMEMBASSY BRIDGETOWN 0114

RUEHBU/AMEMBASSY BUENOS AIRES 0096

RUEHCV/AMEMBASSY CARACAS 0148

RUEHFN/AMEMBASSY FREETOWN 0029

RUEHG/AMEMBASSY GEORGETOWN 0078

RUEHGT/AMEMBASSY GUATEMALA 0084

RUEHK/AMEMBASSY KINGSTON 0207

RUEHLP/AMEMBASSY LA PAZ 0155

RUEHMU/AMEMBASSY MANAGUA 0116

RUEHME/AMEMBASSY MEXICO 0396

RUEHMN/AMEMBASSY MONTEVIDEO 0133

RUEHBH/AMEMBASSY NASSAU 0070

RUEHZP/AMEMBASSY PANAMA 0063

RUEHPO/AMEMBASSY PARAMARIBO 0066

RUEHPU/AMEMBASSY PORT AU PRINCE 0062

RUEHQ/AMEMBASSY QUITO 0147

RUEHSJ/AMEMBASSY SAN JOSE 0112

RUEHSN/AMEMBASSY SAN SALVADOR 0106

RUEHSG/AMEMBASSY SANTIAGO 0148

RUEHDG/AMEMBASSY SANTO DOMINGO 0128

RUEHUL/AMEMBASSY SEOUL 7947

RUEHTG/AMEMBASSY TEGUCIGALPA 0101

RUEAIIA/CIA WASHDC

RHEFDIA/DIA WASHINGTON DC

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SUBJECT: WHA A/S SHANNON'S APRIL 11 MEETING WITH JAPANESE
BUSINESS LEADERS

REF: A. TOKYO 2008

[IB](#). TOKYO 1960

[IC](#). TOKYO 1959

[11](#). (SBU) Summary: Japanese companies see potential for investment in Latin America, particularly in the areas of minerals, energy, and food, Japanese business representative told WHA A/S Shannon on April 11. Noting the success of the Japan-Mexico free trade agreement, they hoped the Japanese Government would accelerate its free trade FTA negotiations with other major Latin American countries. The business representatives also indicated their desire for good relations between the United States and Latin American countries because they see strong relations with the United States as a bellwether of political stability. End summary.

Japanese Firms Have Cautious Interest in Latin America

[12](#). (SBU) Japanese business representatives meeting over lunch on April 11 with Western Hemisphere Affairs Assistant Secretary Thomas Shannon were generally positive about the

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current trend in Japan's economic relations with Latin America. Still, they noted that top managers remained cautious about expanding in the region. According to Mitsubishi Corporation Advisor for Latin America and the Caribbean Koji Uchida, Japan lost two decades of business growth in Latin America, first due to political instability in the region during the 1980s and then as a result of Japan's economic woes in the 1990s. Uchida, who was involved with Japan's free trade agreement negotiations with Mexico and is also engaged in the current negotiations with Chile, emphasized that the expanding global demand for commodities driven by Asia's rapidly growing economies meant that Latin America has a great potential as a supplier to the Asian market. Noboru Watanabe, a former Mitsubishi executive and Inter-American Development Bank official, seconded Uchida's comments but added that the younger generation of Japanese business leaders might have a more positive attitude toward Latin America.

¶3. (SBU) Yoshihiro Kawamoto, General Manager of the Latin America Division of Matsushita Electric (aka Panasonic), noted that a number of Japanese firms took serious losses on investments in Latin America in the 1980s. This historical fact continued to color the thinking of many top executives. Even though the business climate in the region had improved markedly, Latin America still accounted for only 1.6% percent of Matsushita's global business, a figure the company was looking to double in the foreseeable future. Nevertheless, Kawamoto stressed that Japanese companies remain challenged by both the geographical and psychological distance from their Latin American partners. The comfort level of Japanese companies in dealing with Latin America was far lower than

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with the United States, Europe, or other parts of Asia. Kawamoto indicated that, at least in the case of Brazil, Japanese companies took a short-term view regarding their investments in comparison to their European and American counterparts. They were unwilling to tolerate current losses in the hope of future gains. For their part, the Brazilians remained wedded to a self-sufficiency mentality that inhibited the country's economic ties with the rest of the world, Kawamoto asserted.

FTA Benefits Clear but Other Obstacles Linger

¶4. (SBU) Mitsubishi's Uchida called the Japan-Mexico FTA a great success and expressed confidence that the agreement with Chile would bring similar strong growth in bilateral trade. Although FTAs among third parties always held the potential of becoming a threat to Japanese exporters, Uchida noted, in the Latin American case, the relatively small size of most individual national economies meant that a regional FTA create the economies of scale needed to attract Japanese investment. A free trade agreement could also help to curb the phenomenon in Latin America of "capricious economic policymaking," which had been a problem for many Japanese firms, Uchida noted. He cited institutional instability, crime, and corruption as ongoing concerns, but indicated that in the case of Mexico the existence of an FTA with a consultative mechanism had proven beneficial in conveying companies' concerns to the authorities.

¶5. (SBU) Tomizo Nagafuchi, Deputy General Manager of Mitsui Corporation's Business Planning and Coordination Department, said that his company -- now chairing the Brazil Committee of the Japanese Business Federation (Keidanren) -- had pushed forward a Keidanren recommendation to the Japanese government to explore a free trade agreement with Brazil and the MERCOSUR countries. According to Nagafuchi, however, the South American countries remained more focused on strengthening their trade ties with the United States and Europe.

¶6. (SBU) Matsushita's Kawamoto added that, while an FTA might reduce import tariffs in the case of Brazil or other countries, it would not necessarily overcome other problems such as those related to the protection of intellectual property rights or the unavoidable mismatch between what the Japanese want to sell and what local consumers are able to buy. Kawamoto cited the example of Matsushita's desire to sell more high-quality flat-screen plasma televisions in Latin America. It was nonetheless still producing conventional sets in its local operations because most consumers in Latin America could not afford the more advanced product.

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East Asian Architecture and The China Factor

¶7. (SBU) Brazil and China have been growing closer politically, Kawamoto noted, and asked A/S Shannon whether the United States had any concerns about China's increased engagement in Latin America. Shannon responded that Latin American countries, which had been thinking that China might act as a counterweight to U.S. influence in the region, had been disappointed by China. The Chinese, Shannon stressed, appeared to see Latin America as a source of energy, commodities, and food, and were not interested in challenging the United States politically in the region or in providing the countries of Latin America with the long-term, employment-generating investment they hoped for.

¶8. (SBU) Nagafuchi asked A/S Shannon for his views on proposals to develop a new regional architecture for East Asia based on the East Asian Summit and the ASEAN plus 3 process. Shannon stressed that, from his perspective, APEC was the more important forum because it linked the Western Hemisphere countries for which he was responsible to the dynamic economies of East Asia. That linkage, Shannon hoped, would convince the often parochial countries of Central and South America of the importance of interacting with the wider world. Nagafuchi indicated that, from his perspective, Japan would like both to sustain APEC and to develop a new, stronger entity rooted in the East Asian region. EMIN Zumwalt commented that APEC would inevitably lose its relevance if the East Asian Summit began to address the same set of issues as APEC.

U.S. Role in Latin America Good for Japan

¶9. (SBU) Uchida expressed concern that a new trend of anti-Americanism had emerged in parts of Latin America and stressed that Japan, which had good relations with both the United States and Latin America, hoped for positive U.S. ties with the region. A/S Shannon emphasized that the United States also wanted good relations with all countries in Latin America. The United States, Shannon said, had put aside old ideological considerations in its thinking on Latin America and had centered its policy on support for fundamental democratic values. What drives our engagement in the region, Shannon said, was a commitment to democracy, free markets, and economic integration. We could fashion a positive relationship with countries that shared this commitment. Unfortunately, some countries -- notably Venezuela -- were looking to "pick a fight" with the United States and were acting in ways that ran counter both to the development of democracy domestically and to the maintenance of the overall political stability Latin America needed to foster economic development. The Japanese businessmen said they considered

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good U.S.-Latin relations to be key indicators of the region's business climate.

~~¶~~10. (U) Assistant Secretary Shannon cleared this message.
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